State of California—Health and Human Services Agency
Department of Health Care Services

RICHARD FIGUEROA
*ACTING DIRECTOR*

GAVIN NEWSOM
*GOVERNOR*

September 30, 2019

Mr. Richard C. Allen, Director
Western Regional Operations Group
Centers for Medicare & Medicaid Services
San Francisco Regional Office
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

STATE PLAN AMENDMENT 19-0018: SUPPLEMENTAL PAYMENTS FOR HOSPITAL INPATIENT SERVICES

Dear Mr. Allen:

The Department of Health Care Services (DHCS) submits State Plan Amendment (SPA) 19-0018 for your review and approval. SPA 19-0018 allows supplemental reimbursement to hospitals up to the aggregate upper payment limit without supplanting specified existing levels of payments for the provision of inpatient services to Medi-Cal beneficiaries. This SPA will make changes to California's Medicaid State Plan under Title XIX of the Social Security Act as it proposes to update Appendix 8 to Attachment 4.19-A. DHCS proposes an effective date of July 1, 2019, for this SPA.

No tribal consultation was required for SPA 19-0018. A Public Notice was published on June 28, 2019.

If you have any questions or need additional information, please contact Mr. John Mendoza, Chief, Safety Net Financing Division, at (916) 552-9130 or by e-mail at John.Mendoza@dhcs.ca.gov.

Sincerely,

[redacted]

Mari Cantwell
Chief Deputy Director
Health Care Programs
State Medicaid Director

cc: See next page

cc: Ms. Jacey Cooper
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DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

# TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

**FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER: 19 — 00 18

2. STATE: California

3. PROGRAM IDENTIFICATION: Title XIX of the Social Security Act (Medicaid)

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE & MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE: July 1, 2019

5. TYPE OF PLAN MATERIAL *(Check One)*

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION: 42 C.F.R. Subpart C

7. FEDERAL BUDGET IMPACT
a. FFY 2019 $ 347,762,519.37
b. FFY 2020 $ 1,439,234,556.36

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Appendix 8 to Attachment 4.19-A pages 1-7

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*: Appendix 8 to Attachment 4.19-A pages 1-7

10. SUBJECT OF AMENDMENT: Supplemental Payments for Hospital Inpatient Services

11. GOVERNOR'S REVIEW *(Check One)*

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED

12. SIGNATURE OF STATE AGENCY OFFICIAL: [redacted]

13. TYPED NAME: Mari Cantwell

14. TITLE: State Medicaid Director

15. DATE SUBMITTED: September 30, 2019

16. RETURN TO
Department of Health Care Services
Attn: Director's Office
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED

18. DATE APPROVED

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL

20. SIGNATURE OF REGIONAL OFFICIAL

21. TYPED NAME

22. TITLE

23. REMARKS

For Box 7, the federal budget impact for FFY 2021 will be $1,578,063,621.67. The federal budget impact for FFY 2022 will be $390,222,626.87.
For Box 11 "Other, As Specified," Please note: The Governor's Office does not wish to review the State Plan Amendment.

# STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: CALIFORNIA

## SUPPLEMENTAL PAYMENTS FOR HOSPITAL INPATIENT SERVICES

This supplemental payment program provides supplemental payments to private hospitals that meet specified requirements and provide inpatient services to Medi-Cal beneficiaries.

Supplemental payments to hospitals will be up to the aggregate upper payment limit.

Supplemental payments will be made periodically on a lump-sum basis throughout the duration of the program and will not be paid as individual increases to current reimbursement rates for specific services. The supplemental amounts shall be in addition to any other amounts payable to hospitals with respect to those services and shall not affect any other payments to hospitals.

The supplemental payment program will be in effect from July 1, 2019 through December 31, 2021.

A. Amendment Scope and Authority

This amendment, Appendix 8 to Attachment 4.19-A, describes the payment methodology to provide supplemental payments to eligible hospitals from July 1, 2019 through December 31, 2021. If necessary due to a later State Plan Amendment approval date, payment distributions will be made on a condensed timeline.

B. Eligible Hospitals

1. Hospitals eligible for supplemental payments under this Appendix are "private hospitals", which means a hospital that meets all of the following conditions:

    a. Is licensed pursuant to Health and Safety Code section 1250, subdivision (a).

    b. Is in the Charitable Research Hospital peer group, as set forth in the 1991 Hospital Peer Grouping Report published by the department, or is not designated as a specialty hospital in the hospital's most recently filed Office of Statewide Health Planning and Development Annual Financial Disclosure Report, as of July 1, 2019.

    c. Does not satisfy the Medicare criteria to be classified as a long-term care hospital.

d. Is a nonpublic hospital, nonpublic converted hospital, or converted hospital, as those terms were defined on July 1, 2019, in Welfare and Institutions Code section 14105.98, subdivision (a), paragraphs (26) to (28).

e. Is not a nondesignated public hospital or designated public hospital.

2. A hospital that is eligible pursuant to Paragraph 1 for supplemental payments under this Appendix will become ineligible if any of the following occur:

a. The hospital becomes a Private to Public Converted Hospital pursuant to Paragraph 1 of Section C.

b. The hospital is a new hospital as defined in Paragraph 2 of Section C.

c. The hospital does not meet with all the requirements as set forth in Paragraph 1.

d. Any period during which hospital is deemed closed pursuant to Welfare and Institutions Code section 14169.61, subdivision (c) as in effect on July 1, 2019.

e. The hospital does not have any Medi-Cal fee-for-service inpatient hospital utilization for the respective subject fiscal quarter.

C. Definitions

For purposes of this attachment, the following definitions apply:

1. "Private to Public Converted hospital" means a private hospital that becomes a designated public hospital or a nondesignated public hospital on or after July 1, 2019.

2. "New hospital" means a hospital operation, business or facility functioning under current or prior ownership as a private hospital that does not have a days data source or a hospital that has a days data source in whole, or in part, from a previous operator where there is an outstanding monetary obligation owed to the state in connection with the Medi-Cal program and the hospital is not, or does not agree to become, financially responsible to the department for the outstanding monetary obligation.

3. "Acute psychiatric days" means the total number of Medi-Cal specialty mental health service administrative days, Medi-Cal specialty mental health service acute care days, acute psychiatric administrative days and acute psychiatric acute days, identified in the Final Medi-Cal Utilization Statistics for the state fiscal year 2018-19 as calculated by the department as of April 5, 2019 and were paid

directly by the department and were not the financial responsibility of a mental health plan.

4. “General acute care days” means the total number of Medi-Cal general acute care days, including well baby days, less any acute psychiatric inpatient days, paid by the department to a hospital for services in the 2016 calendar year, as reflected in the state paid claims file on April 5, 2019.

5. “High acuity days” means Medi-Cal coronary care unit days, pediatric intensive care unit days, intensive care unit days, neonatal intensive care unit days, and burn unit days paid by the department to a hospital for services in the 2016 calendar year, as reflected in the state paid claims file prepared by the department on April 5, 2019.

6. "Program period” means the time period from July 1, 2019 through December 31, 2021, inclusive.

7. “Days data source” means either: (1) if a hospital’s Annual Financial Disclosure Report for its fiscal year ending in the 2016 calendar year includes data for a full fiscal year of operation, the hospital’s Annual Financial Disclosure Report retrieved from the Office of Statewide Health Planning and Development as retrieved by the department on May 7, 2019, pursuant to Welfare & Institutions Code section 14169.59, for its fiscal year ending in the 2016 calendar year; or (2) if a hospital’s Annual Financial Disclosure Report for its fiscal year ending in the 2016 calendar year includes data for more than one day, but less than a full year of operation, the department’s best and reasonable estimates of the hospital’s Annual Financial Disclosure Report if the hospital had operated for a full year.

8. “Subject fiscal year” means a state fiscal year beginning on or after the first day of a program period and ending on or before the last day of a program period. Subject fiscal year 2021-22 begins on July 1, 2021 and ends on December 31, 2021.

9. “Hospital inpatient services” means all services covered under Medi-Cal and furnished by hospitals to patients who are admitted as hospital inpatients and reimbursed on a fee-for-service basis by the department directly or through its fiscal intermediary. Hospital inpatient services include outpatient services furnished by a hospital to a patient who is admitted to that hospital within 24 hours of the provision of the outpatient services that are related to the condition for which the patient is admitted. Hospital inpatient services do not include professional services or services for which a managed health care plan is financially responsible.

10. “Subject fiscal quarter” means the quarter to which the supplemental payment is applied. There are only two subject fiscal quarters for subject fiscal year 2021-22.

11. "Subacute supplemental rate" means a fixed proportional supplemental payment for acute inpatient services based on a hospital's prior provision of Medi-Cal subacute services.

12. "Medicaid Inpatient Utilization Rate" means the Medicaid utilization rate as defined in Section 1396r-4 of Title 42 of the United States Code and as set forth in the Final Medi-Cal Utilization Statistics for state fiscal year 2018-19, as calculated by the department as of April 5, 2019. The department may correct any identified material and egregious errors in the data.

13. "Medi-Cal fee-for-service days" means inpatient hospital days as reported on the days data source where the service type is reported as "acute care," "psychiatric care," or "rehabilitation care," and the payer category is reported as "Medi-Cal traditional" for purposes of the Annual Financial Disclosure Report submitted by hospitals to the Office of Statewide Health Planning and Development.

D. Supplemental Payment Methodology for Private Hospitals

1. Private hospitals will be paid supplemental amounts for the provision of hospital inpatient services for the program period. The supplemental amounts will be in addition to any other amounts payable to hospitals with respect to those services and will not affect any other payments to hospitals.

2. Private hospitals will be paid from the total amount of six billion, three hundred seventy-three million, three hundred thirty-three thousand, two hundred ninety-nine dollars and ninety-three cents ($6,373,333,299.93), consisting of the following subpools:

   General Acute Subpool: $4,793,286,121.80
   Psychiatric Subpool: $161,904,568.13
   High Acuity Subpool: $794,318,750.00
   High Acuity Trauma Subpool: $329,675,000.00
   Subacute Subpool: $224,836,360.00
   Transplant Subpool: $69,312,500.00

   Each private hospital will be paid the following amounts as applicable for the provision of hospital inpatient services for each subject fiscal year:

   a. From the general acute subpool:

      - For the subject fiscal year 2019-20, one thousand, three hundred fifty-four dollars and fifty-two cents ($1,354.52) multiplied by the number of the hospital's general acute care days.

- For the subject fiscal year 2020-21, one thousand, six hundred twenty-two dollars and ninety-seven cents ($1,622.97) multiplied by the number of the hospital's general acute care days.

- For the first two subject fiscal quarters of subject fiscal year 2021-22, one thousand, five hundred ninety-two dollars and thirty-one cents ($1,592.31) multiplied by half the number of the hospital's annual general acute care days.

b. From the psychiatric subpool, for a hospital's acute psychiatric days that were paid directly by the department and were not the financial responsibility of a mental health plan:

- For the subject fiscal years 2019-20 and 2020-21, nine hundred and seventy-five dollars ($975.00) multiplied by the number of the hospital's acute psychiatric days.

- For the first two subject fiscal quarters of subject fiscal year 2021-22, nine hundred and seventy-five dollars ($975.00) multiplied by half the number of the hospital's annual acute psychiatric days.

c. From the high acuity subpool, in addition to the amount specified in subparagraphs a and b, if a private hospital that provided Medi-Cal high acuity services during the 2016 calendar year and at least 5 percent of the hospital's general acute care days were high acuity days and had a Medicaid inpatient utilization rate that is greater than 5 percent and less than 50.3 percent:

- For the subject fiscal years 2019-20 and 2020-21 two thousand five hundred dollars ($2,500.00) multiplied by the number of the hospital's high acuity days.

- For the first two subject fiscal quarters of subject fiscal year 2021-22, two thousand five hundred dollars ($2,500.00) multiplied by half the number of the hospital's annual high acuity days.

d. From the high acuity trauma subpool, in addition to the amounts specified in subparagraphs a, b and c, if the hospital qualifies to receive the amount set forth in Paragraph c and has been designated as a Level I, Level II, Adult/Ped Level I, or Adult/Ped Level II trauma center by the Emergency Medical Services Authority established pursuant to Health and Safety Code section 1797.1 , as in effect on July 1, 2019:

- For the subject fiscal years 2019-20 and 2020-21, two thousand five hundred dollars ($2,500.00) multiplied by the number of the hospital's

high acuity days.

- For the first two subject fiscal quarters of subject fiscal year 2021-22, two thousand five hundred dollars ($2,500.00) multiplied by half the number of the hospital's annual high acuity days.

e. From the subacute subpool:

- For the subject fiscal quarters in subject fiscal years 2019-20 and 2020-21, the subacute supplemental rate shall be 65 percent of the Medi-Cal subacute payments paid by the department to the hospital for services during the 2016 calendar year, as reflected in the state paid claims file prepared by the department on April 5, 2019.

- For the first two subject fiscal quarters in the subject fiscal year 2021-22, the subacute supplemental rate shall be 65 percent of half of the Medi-Cal subacute payments paid by the department to the hospital for services during the 2016 calendar year, as reflected in the state paid claims file prepared by the department on April 5, 2019.

f. From the transplant subpool, in addition to subparagraphs a, b, c, d, and e, a private hospital that has Medi-Cal fee-for-service days for Medicare Severity-Diagnosis Related Groups 1, 2, 5 to 10, inclusive, 14, 15, and 652, according to the Patient Discharge file from the Office of Statewide Health Planning and Development for the 2016 calendar year as retrieved by the department on April 2, 2019 and has Medicaid inpatient utilization rate that is greater than 5 percent and less than 50.3 percent:

- For the subject fiscal years 2019-20 and 2020-21 two thousand five hundred dollars ($2,500.00) multiplied by the hospital's Medi-Cal fee-for-service days for Medicare Severity-Diagnosis Related Groups identified above.

- For the first two subject fiscal quarters of subject fiscal year 2021-22, two thousand five hundred dollars ($2,500.00) multiplied by half the number of the hospital's annual Medi-Cal fee-for-service days for Medicare Severity-Diagnosis Related Groups identified above.

g. Payments shall be made quarterly and payment amounts for each subject fiscal quarter in a subject fiscal year shall be distributed equally. For subject fiscal year 2021-22, there will be only two quarterly payments.

3. In the event that payment of all of the amounts for the program period from any subpool in Paragraph 2 would cause total payments for the program period from that subpool to exceed the amount specified above for that subpool, the payment amounts for each hospital from the subpool will be reduced pro rata so that the

total amount of all payments from that subpool does not exceed the subpool amount.

4. In the event federal financial participation for a subject fiscal year is not available for all of the supplemental amounts payable to private hospitals under Paragraph 2 due to the application of an upper payment limit, which is subject to annual submission and review, or for any other reason, the following will apply:

    a. The total amounts payable to private hospitals under Paragraph 2 for each subject fiscal quarter within the subject fiscal year will be reduced to reflect the amounts for which federal financial participation is available pursuant to subparagraph b.

    b. The amounts payable under Paragraph 2 to each private hospital for each subject fiscal quarter within the subject fiscal year will be equal to the amounts computed under Paragraph 2 multiplied by the ratio of the total amounts for which federal financial participation is available to the total amounts computed under Paragraph 2.

    c. In the event that a hospital's payments in any fiscal year as calculated under Paragraph 2 are reduced by the application of this Paragraph 4, the amount of the reduction will be added to the supplemental payments for the next subject fiscal year within the program period, which the hospital would otherwise be entitled to receive under Paragraph 2, provided further that no such carryover payments will be carried over beyond the period ending December 31, 2021, and such carryover payments will not result in total payments exceeding the applicable federal upper payment limit for the fiscal year.

5. The payment amounts set forth in this Appendix are inclusive of federal financial participation.

6. Payments shall be made to a hospital that becomes ineligible pursuant to Paragraph 2 of Section B during a subject fiscal quarter by multiplying the hospital's inpatient supplemental payment by the number of days that the hospital was eligible in the subject fiscal quarter, divided by the number of days in the subject fiscal quarter. Payments shall not be made to an ineligible hospital in any subsequent subject fiscal quarter.

7. Payments shall be made to a Private to Public Converted hospital that converts during a subject fiscal quarter by multiplying the hospital's inpatient supplemental payment by the number of days that the hospital was a private hospital in the subject fiscal quarter, divided by the number of days in the subject fiscal quarter. Payments shall not be made to a Private to Public Converted hospital in any subsequent subject fiscal quarter.